

CITY OF COVINGTON, KENTUCKY, MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN FOR STATE AUDITOR'S EXAMINATION OF CERTAIN POLICIES, PROCEDURES, CONTROLS AND FINANCIAL ACTIVITY OF CITY OF COVINGTON

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Finding		Recommendations	City's Response and Corrective Action Plan	Lead Department	March 24, 2014	April 30, 2014	May 31, 2014	June 30, 2014	July 31 2014	August 31 2014	September 30 2014	October 31 2014
2	The Finance Department had lax internal controls, which increased opportunities for misappropriation of assets.	Because the Finance Department has such significant internal control weaknesses, the City should implement improvements as soon as possible. These include: develop policies and procedures to address all significant functions of the Finance Department: segregate duties; create job descriptions for Finance Department staff; train employees adequately; implement sufficient supervisory review of key functions accounting and budgetary activities.										
		A. The APA recommends developing policies and procedures to address all significant functions of the Finance Department and to update these policies and procedures regularly:										
		Department Policies and Procedures:	The City is in the process of developing a new updated accounting procedure manual. This document will be a living document that reflects the changes that are currently taking place and that accounts for the evolution that the Department will experience.	Finance Staff	In Process	In process. Will take years to complete. This is a living document.	In process. Will take years to complete. This is a living document.	In process. Will take years to complete. This is a living document.	In process. Will take years to complete. This is a living document.	In process. Will take years to complete. This is a living document.	In process. Will take years to complete. This is a living document.	In process. Will take years to complete. This is a living document.
		Segregation of Duties:	Management, in conjunction with the Finance Department, has begun segregating duties so that no one person can both create and coceal fraudulent activity or commit a material error that would go undetected. Access to specific functions will have restrictions.	City Manager/Finance Director	In Process	In Process	In Process	In Process	In Process	In Process	In Process	In Process
		Staff and Accounting Professionals:	In order to implement the above changes, the City has created new positions, and has hired, or is the process of hiring qualified individuals to fill those positions as follows:									
			a. An Internal Auditor position was created in the City Manager's recommended FY 14 budget, which was adopted by the City in June of 2013, two months before the embezzlement was detected.	City Manager	Completed							
			b. An Interim Finance Director was hired effective September 3, 2013, with 34 years of County Finance experience and of impeccable character;	City Manager	Completed							
			c. A permanent Internal Auditor, a new position within the City, was hired effective December 30, 2013, who is responsible for reviewing and ensuring that city-wide policies and procedures are followed;	City Manager	Completed							

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